

KEFI Gold and Copper

Rounding the final bend

KEFI Gold and Copper (KEFI) has, this week, made two announcements pertinent to its future. In the first, it announced the renewal of its Jibal Qutman exploration licence in Saudi Arabia, which opens the way for the commencement of field programmes and environmental studies etc required ahead of the award of a mining licence. In the second, this morning, it announced continued progress with project financings (including final costs and schedules for a combined open pit and underground mine) at Tulu Kapi. The company expects that the final finance plan will be published in mid-November and that it will remain consistent with that published in its recent annual report, with syndicate member contributions being adjusted as required and residual equity funding being met from the exercise of outstanding warrants (at a strike price of 1.6p/share) ahead of full project launch by the end of the year (cf October previously). This would be a very successful outcome within the context of current stock market turmoil and in a country in which the working environment can only be described as ‘challenging’.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/20	0.0	(2.8)	(0.2)	0.0	N/A	N/A
12/21	0.0	(3.4)	(0.2)	0.0	N/A	N/A
12/22e	0.0	(8.3)	(0.2)	0.0	N/A	N/A
12/23e	0.0	(3.7)	(0.1)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

In its announcement relating to Tulu Kapi, KEFI noted that, owing to global inflationary pressure, its project capital requirement has increased by 6.7% (or US\$20m), which a) modest and b) unsurprising. In order to accommodate the increase, KEFI confirmed that the finalised finance plan has been circulated to the project syndicate for approval with proposed project debt, syndicate partners’ project level equity, Ethiopian holding company level equity (as well as KEFI level equity) duly increased. KEFI’s announcement regarding Tulu Kapi came just three days after the renewal of the Jibal Qutman exploration licence. As well as the original licence, the renewal also gives KEFI access to the 270km² Jibal Qutman Exploration Area, including the Jibal Qutman North and Jibal Qutman Southeast exploration licences, which cover a ‘significant portion of the highly prospective ‘Nabitah-Tathlith’ gold belt’. KEFI’s target for the completion of a 2Mtpa definitive feasibility study by end-Q422/early-Q123 remains on track. In the meantime, its partner, G&M has indicated that project funding will be finalised once a mining licence has been awarded.

In our [last Outlook note](#) on KEFI (published on 17 March 2022), we calculated that its trio of projects were capable of generating free cash flow of c £78.6m pa for seven years, from FY25–FY31 (inclusive). This, in turn, drove our estimate of average (maximum potential) dividends of 0.90p/share for the six years from 2026 to 2031 and valued KEFI at 2.62p/share (fully diluted). The valuation reduced to 2.46p/share in the event that all convertible instruments involved in the funding were converted at our valuation of the shares in two to three years’ time. At spot prices, however, the valuation increases to over 5p in FY27 plus c 1.21p/share for Guji-Komto. Our formal forecasts and valuation will be updated shortly.

Ethiopia and Saudi Arabia
progress

Metals and mining

20 October 2022

Price **0.58p**

Market cap **£23m**

US\$1.1297/£

Net cash (£m) at end-June 2022 2.3

Shares in issue 3,939.1m

Free float 96%

Code KEFI

Primary exchange AIM

Secondary exchange N/A

Share price performance



Business description

KEFI Gold and Copper is an exploration and development company focused on gold and copper deposits in the highly prospective Arabian-Nubian Shield – principally the Tulu Kapi project in Ethiopia, as well as the Hawiah copper and gold and Jibal Qutman gold projects in Saudi Arabia.

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